

Message Text

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17

ACTION EB-07

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FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 1716

INFO AMCONSUL HONG KONG

AMEMBASY BANGKOK

AMEMBASSY JAKARTA

AMEMBASSY MANILA

AMEMBASSY TOKYO

AMEMBASSY SINGAPORE

LIMITED OFFICIAL USE KUALA LUMPUR 6647

E.O. 11652: N/A

TAGS: ENRG, MY

SUBJ: PETRONAS (NATIONAL OIL CO.) ANNOUNCES JOINT VENTURE
WITH JAPANESE TO MARKET LNG; JAPANESE DENY AGREEMENT
REACHED

REF: A. KUALA LUMPUR 6617 (NOTAL; B. KUALA LUMPUR 6641

1. TENGKU RAZALEIGH HAMZAH, CHAIRMAN AND CHIEF EXECUTIVE OF
PETRONAS (NATIONAL OIL CO.), ANNOUNCED NOVEMBER 12 THAT AGREE-
MENT REACHED BETWEEN PETRONAS, SHELL OIL, MITSUBISHI AND OTHER
JAPANESE COMPANIES WITH PETRONAS HOLDING 51 PERCENT INTEREST
FOR A JOINT-VENTURE COMPANY BASED IN JAPAN TO MARKET AND DIS-
TRIBUTE LIQUIFIED NATURAL GAS (LNG) TO BE PRODUCED BY PROPOSED
LNG PROJECT AT BINTULU, SARAWAK. (COMMENT: COMMERCIAL ATTACHE,
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JAPANESE EMBASSY SAYS JOINT-VENTURE COMPANY DESCRIBED ABOVE

BEING DISCUSSED BUT NO AGREEMENT HAS BEEN REACHED. SINCE THIS WOULD BE A JAPAN BASED COMPANY, MITSUBISHI WOULD WANT AT LEAST 51 PERCENT OWNERSHIP. THERE IS ALSO QUESTION OF JAPAN'S PETROLEUM LAWS WHICH REGULATE DISTRIBUTION OF PETROLEUM AND GAS PRODUCTS IN JAPAN. NONE OF THESE POINTS HAVE AS YET BEEN RESOLVED.)

2. RAZALEIGH ALSO SAID PETRONAS LOOKING INTO POSSIBILITY OF MARKETING LNG TO WEST COAST OF UNITED STATES. IF NECESSARY, ANOTHER PETRONAS CONTROLLED COMPANY, POSSIBLY JOINT VENTURE BETWEEN PETRONAS AND U.S. CONSUMERS, DISTRIBUTORS, AND AGENTS OF LNG, COULD HANDLE MARKETING AND DISTRIBUTION IN UNITED STATES.

3. HE STATED BINTULU LNG PROJECT NOW SCHEDULED TO BE IN PRODUCTION BY 1980/81 WITH CAPACITY OF ABOUT SIX MILLION TONS OF LNG A YEAR. BINTULU PROJECT WILL ALSO BE JOINT VENTURE BETWEEN PETRONAS, SHELL, AND MITSUBISHI. (COMMENT: JAPANESE COMMERCIAL ATTACHE SAYS WHOLE PROJECT IS BEING RESTUDIED WITH NEW PROJECTIONS OF DEMAND FOR LNG AND SIZE OF PLANT, ESTIMATED CAPACITY NOW AT 4.5 TO 5.0 MILLION TONS OF LNG PER YEAR, AND TARGET DATE OF 1980/81 NO LONGER FEASIBLE. PETRONAS WANTS MORE THAN 51 PERCENT SHARE OF BINTULU PROJECT, BUT SPLIT UNCERTAIN THIS TIME.)

4. RAZALEIGH STATED PETRONAS LOOKING INTO PRODUCTION SHARING AGREEMENT WITH SHELL FOR PRODUCTION OF NATURAL GAS FROM SHELL'S OFFSHORE FIELDS IN SARAWAK. HE DECLINED GIVE DETAILS OF PROPOSED AGREEMENT. (COMMENT: THIS INFO APPEARS ACCURATE AS SHELL HOLDS RIGHTS TO CONCESSION AREA CONTAINING NATURAL GAS FINDS OFF SARAWAK.)

5. PETRONAS STUDYING FEASIBILITY OF SETTING UP UREA PLANT IN PENINSULAR MALAYSIA TO SUPPLY NEEDS OF LOCAL FARMERS. PROJECT IS STILL IN PLANNING STATE.

6. OVERALL COMMENT: OUR ASSESSMENT OF THESE PUBLIC ANNOUNCEMENTS BY TENGKU RAZALEIGH OF PROJECTS STILL BEING FORMULATED IS THAT RAZALEIGH IS COMING UNDER INCREASING PRESSURES WITHIN THE GOVT TO BEGIN PRODUCING SOME TANGIBLE RESULTS. PETRONAS CELEBRATED ITS FIRST ANNIVERSARY ON OCTOBER 1, 1975 AND SCORE SHEET ON ACHIEVEMENTS TO DATE IS LESS THAN IMPRESSIVE. IT HAS LIMITED OFFICIAL USE

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BEEN SAID THAT THE BINTULU LNG PROJECT, WHICH WAS CLOSE TO BEING FINALIZED BY SHELL, MITSUBISHI, AND SARAWAK AT THE TIME PETRONAS WAS ESTABLISHED, HAS BEEN DELAYED AT LEAST ONE TO TWO YEARS AND PERHAPS LONGER BY THE ADVENT OF PETRONAS. IT APPEARS THAT PETRONAS' NEED TO ESTABLISH ITS CREDENTIALS, TOGETHER WITH THE GOVERNMENT'S NEED TO FULLY TAP THIS NEW SOURCE OF NOTABLE REVENUE, SHOULD BE SUFFICIENTLY COMPELLING TO RESULT IN A SERIOUS

EFFORT BY PETRONAS TO NEGOTIATE A SATISFACTORY
PRODUCTION SHARING CONTRACT WITH SHELL, AND MORE
PARTICULARLY WITH EXXON, IN AS SHORT A TIME
FRAME AS POSSIBLE.
UNDERHILL

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